

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3304-01
Bill No.: HB 1355
Subject: Roads and Highways; Taxation and Revenue - General, Sales and Use
Type: Original
Date: April 23, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue Fund	(\$102,498)	\$0	\$0
State Road Fund*	\$324,116,500	\$673,406,000	\$699,563,000
Total Estimated Net Effect on <u>All</u> State Funds*	\$324,014,002	\$673,406,000	\$699,563,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

***This proposal is permissive. Voter approval would be required before fiscal impact would be realized.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume this legislation imposes a one cent increase in the general sales tax rate to be used for highways and bridges. This is a statewide rate increase. The new tax is split differently than the current general sales tax, therefore the new tax collected will need to be tracked.

DOR assumes Business Tax will need to do a statewide mail out to approximately 150,000 registered businesses. DOR recommends that the new rate be effective January 1 to avoid the cost of reprinting and mailing approximately 98,000 voucher books mid-year.

The MITS system will need to be programmed to recognize the increase in the general sales tax rate. A complete system test will need to be done. DOR estimates that the program changes will require 692 hours at a cost of \$23,085. The State Data Center costs to implement the proposed legislation will be \$4,503.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** state this legislation as drafted, would result in the following distribution of collections from an additional 1% sales tax:

	FY-03	FY-04	FY-05
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State Road Fund			
New sales tax (not MV)	286,283,500	595,470,000	619,289,000
New MV sales tax	37,833,000	77,936,000	80,274,000
	0	0	0
Subtotal	324,116,500	673,406,000	699,563,000

However BAP assumes, the entire bill, as drafted, presents some concerns:

1. This language requires deposit of the new revenues deposited in the State Road Fund. This appears contrary to Article IV Section 30 (b) of the MO Constitution, which specifies that

ASSUMPTION (continued)

increases to state sales taxes on motor vehicles are divided between the State Road Fund, the State Transportation Fund and the cities and counties of the state.

2. This language appears to give the General Assembly authority over the distribution and use of the funds raised by the additional sales tax. This could be in conflict with Article IV Section 30(b) of the MO Constitution, which says monies in the State Road Fund for road and bridge construction and maintenance, “stand appropriated without legislative action....”.

State Treasurer (STO) officials assume this proposal would not fiscally impact their agency.

Officials from the **Department of Highway and Transportation (DHT)** state this legislation increases the general state sales tax by 1%. The increase is to be used for highway and bridge construction and maintenance. The legislation is favorable to DHT, providing additional funding for much-needed transportation improvements. If additional funding is received DHT may require additional employees and incur associated additional expense and equipment and/or capital improvement and rental costs if necessary to manage the additional workload resulting from the increased funding.

DHT assumes that the revenue gain to DHT will begin January 1, 2003. DHT’s revenue growth assumptions are based upon the rates provided by the BAP. Those rates are as follows: Motor vehicle sales tax growth-- 4.5% in FY 03, subsequent years, 3%; General sales tax growth--3.5% in FY 03, 4% in subsequent years. DHT assumes the revenue increase in state funds would be \$320.4 million in FY03, \$665.8 million in FY04, and \$691.8 million in FY05.

Officials from the **Office of the Secretary of State (SOS)** assume this legislation would require the SOS to produce and publish notices in local newspapers. Statewide newspaper publication of constitutional amendments cost approximately \$1,157 per column inch based on an estimate provided by the Missouri Press Service x 3 for multiple printings, as required by the Constitution and state statute = \$3,471 per column inch. SOS estimates the total number of inches for this bill to be 10 inches, which includes the title header and certification paragraph. (\$3,471 x 10 inches = \$34,710).

Oversight assumes this proposal is permissive and would require voter approval before any positive fiscal impact would be realized by the state. Since the proposal would be on the ballot for the November 2002 general election, Oversight assumes the effective date of the 1% sales tax increase would be January 1, 2003.

This legislation will increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (6 Mo.)	FY 2004	FY 2005
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GENERAL REVENUE FUND

Cost - Department of Revenue

Postage	(\$40,200)	\$0	\$0
Programming	<u>(\$27,588)</u>	<u>\$0</u>	<u>\$0</u>
Total Costs - DOR	(\$67,788)	\$0	\$0

Cost - Secretary of State

Election Costs	<u>(\$34,710)</u>	<u>\$0</u>	<u>\$0</u>
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**TOTAL ESTIMATED NET EFFECT
ON GENERAL REVENUE FUND**

<u>(\$102,498)</u>	<u>\$0</u>	<u>\$0</u>
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STATE ROAD FUND

Income - State Road Fund

1% increase in sales tax	<u>\$324,116,500</u>	<u>\$673,406,000</u>	<u>\$699,563,000</u>
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**TOTAL ESTIMATED NET EFFECT
ON STATE ROAD FUND**

<u>\$324,116,500</u>	<u>\$673,406,000</u>	<u>\$699,563,000</u>
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FISCAL IMPACT - Local Government

FY 2003 (6 Mo.)	FY 2004	FY 2005
\$0	\$0	\$0

FISCAL IMPACT - Small Business

The new general sales tax may require special filing for businesses.

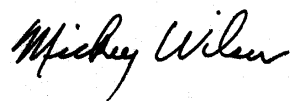
DESCRIPTION

This bill imposes a 1% tax on the sale of tangible personal property or rendering taxable service at retail. The revenue derived from the tax will be deposited in the State Road Fund and will be used exclusively for highway and bridge construction and maintenance. The distribution of these funds will be 50% to urban areas and 50% to rural areas, except that any moneys used for the interstate system will not be subject to the distribution percentages.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
 Division of Budget and Planning
State Treasurer
Department of Highway and Transportation
Secretary of State
 Elections



Mickey Wilson, CPA
Acting Director
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